The MPF System can help scheme members increase the value of the assets. Your MPF is part of your retirement savings, for which careful planning and proper management are necessary. When making MPF investment decisions, you should fully consider the various factors and make reference to the relevant information so as to make informed decisions that suit your own needs. Moreover, you should review your MPF investment regularly in light of your personal circumstances at different life stages, and consider whether you need to adjust your fund choices.

MANDATORY PROVIDENT FUND SCHEMES AUTHORITY

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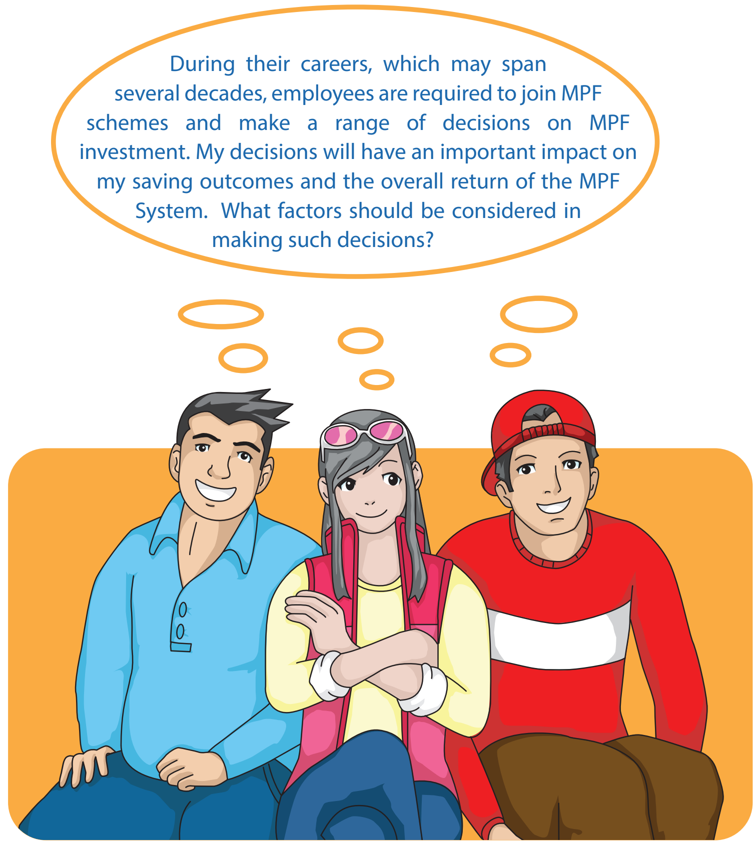
FAQs on MPF Investment

MANDATORY PROVIDENT FUND SCHEMES AUTHORITY


During their careers, which may span several decades, employees are required to join MPF schemes and make a range of decisions on MPF investment. My decisions will have an important impact on my saving outcomes and the overall return of the MPF System. What factors should be considered in making such decisions?

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How should I prepare myself before starting my MPF investment?

You should first assess your risk tolerance level. The key factors which affect your risk tolerance level include:

- **Investment horizon –** i.e. the number of years before retirement. If your investment horizon is long, you might consider choosing a more aggressive fund; otherwise, you might consider a more conservative fund.
- **Investment appetite –** This relates to your willingness to accept investment risk, and is usually shaped by factors such as your personality, past investment experience and investment objectives.
- **Other savings and investments for retirement –** If you have sufficient savings or investments for your retirement, you might consider taking a more aggressive MPF investment approach targeting higher returns.

How can I assess my risk tolerance level?

Financial experts have designed questionnaires to help investors assess their risk tolerance level. For a sample questionnaire, consult your trustee. Questions such as *"Prices of investment products may go down as well as up. Over a six-month period, what is the rate of loss to your investment portfolio that you could bear?"* may be raised in the questionnaires. The higher the percentage you can bear, the higher your risk tolerance level.

What MPF fund types are available?

Types of MPF fund:

Fund Type	Expected Return	Risk Level
Equity Fund	**Relatively high**	**Relatively high**
Mixed Assets Fund	**Relatively high**	**Medium to high**
Bond Fund	**Low to medium**	**Low to medium**
Guaranteed Fund	**Relatively low**	**Relatively low (depends on the guarantee conditions)**
Money Market Fund - MPF Conservative Fund	**Relatively low**	**Relatively low**
Money Market Fund - Other than MPF Conservative Fund	**Relatively low**	**Relatively low**

The finding of an MPFA study is also in line with a fundamental investment concept: the higher the expected return, the higher the associated risk (see graph).

Besides the above-mentioned funds, some trustees also offer MPF retirement solutions aiming, like beating inflation or providing stable return or providing regular and stable income to meet the retirement needs of scheme members.

After assessing my risk tolerance level, how should I choose the funds from an MPF scheme?

Generally speaking, in terms of asset allocation, if your risk tolerance level is relatively high, you may consider a growth portfolio containing a higher proportion of higher-risk investments (such as stocks). However, if your risk tolerance level is relatively low, you may consider a conservative portfolio containing a higher proportion of lower-risk investments (such as bonds).

Some simple formulas (such as the "100-minus-age rule") are also commonly used to help assess how much stock content is appropriate for an investment portfolio. Using the "100-minus-age" formula, if you are 30 years old then stock would make up 70% of your investment portfolio (because 100 minus 30 equals 70). This should, however, only be used as a rough guideline for reference.

Actually, there is no absolute standard for asset allocation in any portfolio. The key is to choose a portfolio that matches your risk tolerance level. According to an MPFA study, diversification across regions or asset classes tends to lower investment risk. For instance, relatively speaking, the risk level of Global Equity Funds is lower than that of Regional Equity Funds, and the risk level of Mixed Assets Funds is lower than that of Equity Funds on the whole.

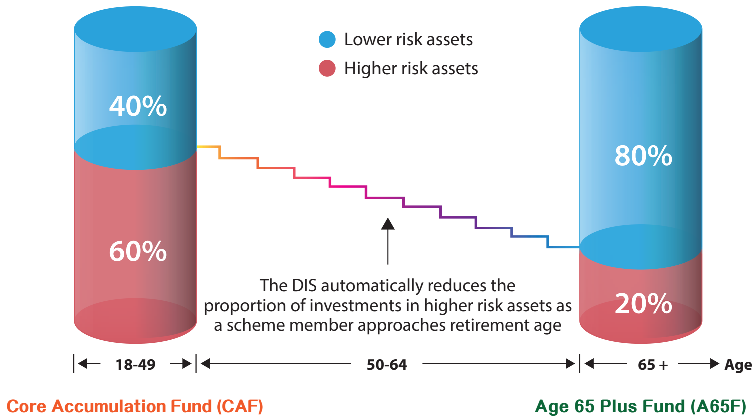
Can I choose Equity Funds or MPF Conservative Funds only?

Yes, you can. However, you should note that if the funds you hold are too aggressive, you will probably face a higher price risk. That means you may lose some or all of the original capital due to the price volatility over the short term. On the contrary, if the funds you hold are too conservative, the investment returns may fail to stay ahead of inflation, and the purchasing power will be eroded over time.

If I do not make my own fund choice when joining an MPF schemes, how will the trustees handle my contribution?

If you do not give your trustees any investment instructions for your MPF benefits, your MPF benefits will be invested automatically according to the Default Investment Strategy ("DIS"). You can also choose to invest your MPF benefits either according to the DIS or in the two individual funds under the DIS.

The DIS is a ready-made investment solution, made up of two mixed assets funds, namely the Core Accumulation Fund ("CAF") and the Age 65 Plus Fund ("A65F"). It has three key features: (1) automatic reduction of investment risk as members approach retirement age ("automatic de-risking"); (2) fee caps set at 0.95% (and it will be further reduced to 0.85% after individual trustees and schemes have onboarded the eMPF Platform); and (3) global investment for risk diversification.



Please note that if you invest in the CAF and/or the A65F as standalone investments, rather than as part of the DIS, your investments in these two funds will still benefit from the fee caps and the globally diversified approach, but the automatic de-risking will not apply to these investments.

For more information on the DIS, please refer to the DIS webpage on the MPFA website (minisite.mpfa.org.hk/DIS/en) or contact your trustees.

Do I need to make different MPF fund choices when I go through different life stages?

Your MPF fund choices should match with your risk tolerance level. As you approach retirement, the amount of your retirement savings will probably be quite large, so the need for better risk management is more acute. If you continue to focus on investing in higher risk products at this juncture, and if the market happens to be very bad during this period, you will end up with poor investment returns with only a limited time frame to make up for the losses.

Life-cycle investment strategy is the preferred investment approach for retirement savings, as they can balance long-term investment risks and returns. This investment approach reduces investment risks with age, which should better protect your returns in the long run.

Some trustees also offer MPF retirement solutions aiming, like beating inflation or providing stable return or providing regular and stable income to meet the retirement needs of scheme members.

Where can I obtain information about MPF funds?

Key Scheme Information Documents, MPF Scheme Brochures and Fund Fact Sheets are provided by all MPF trustees. Most of the trustees will also upload these documents to their company websites.

The Key Scheme Information Document uses plain language, charts and tables to present and disclose key information (e.g. fund choice, fees, contribution, transfer, withdrawal) of an MPF scheme in a standardized format. Access to other documents containing detailed information of an MPF scheme (e.g. the MPF Scheme Brochure) is provided by web link or QR code.

Key information in an MPF Scheme Brochure includes :

- Investment objectives of the constituent funds offered in the scheme
- Contribution and withdrawal procedures for accrued benefits (i.e. MPF assets, including accumulated contributions and investment returns)
- Fees and charges
- Risk factors that affect fund performance

Key information in a Fund Fact Sheet includes :

- Fund size (net asset value)
- Investment policies and objectives, portfolio allocation, top 10 portfolio holdings
- Fund performance
- Fund Expense Ratio, Fund Risk Indicator and Risk Class
- Commentary on fund performance

When do I need to choose an MPF scheme?

You are required to choose an MPF scheme in the following situations :

- When your employer has enrolled in two or more schemes for you to choose
- When you are a self-employed person
- When you want to make Tax Deductible Voluntary Contributions / Special Voluntary Contributions
- When you cease to be employed and prefer your MPF benefits under your former employment to be managed under another MPF scheme
- When you want to effect the right to transfer the employee's portion of mandatory contributions and investment returns in your contribution account to an MPF trustee and scheme of your own choice on a lump-sum basis once every calendar year (i.e. from 1 January to 31 December in any given year)

When choosing an MPF scheme, what factors should I consider?

The factors to be considered in choosing an MPF scheme include :

- Range and quality of services of trustees and their service providers
- Sufficient choices and suitability of funds
- Fees and charges

How can I assess the range and quality of services of a trustee?

You may compare trustees' services in these respects :

- Time required for fund switching
- Number of Fund Fact Sheets and Annual Benefit Statements issued per year
- Sufficiency of online information

For the range of services of the various MPF schemes offered by trustees, please check with trustees or refer to the "Trustee Service Comparative Platform" (tscplatform.mpfa.org.hk/scp/eng) on the MPFA website.

In respect of fund choices available under a scheme, is it a rule of thumb that the more the better?

In assessing an MPF scheme, the suitability of funds (i.e. whether the funds suit your needs) is far more important than the range or number of funds that are offered.

What are the fees and charges levied in an MPF scheme?

The funds in MPF schemes are managed by professionals and thus incur fees and charges. Different MPF schemes have different fee policies. In general, they all levy management fees, but you should also check whether you are subject to other fees and charges, such as joining fees, annual fees, member account transaction fees and charges, etc.

Besides, there are fee caps for the CAF and the A65F. Their management fees and recurrent out-of-pocket expenses are not more than 0.75% per annum of the net asset value of the fund (calculated on a daily basis) and not more than 0.2% per annum of the net asset value of the fund respectively.

How can I obtain information on the fees and charges levied by MPF funds?

You may refer to the Fee Table in the MPF Scheme Brochure of the relevant scheme or the "MPF Fund Platform" (mfp.mpfa.org.hk/eng) on the MPFA website. You can also make use of the comprehensive information, e.g. Fund Expense Ratio (the total amount of expenses charged by an MPF fund as a percentage of fund size), which is shown on the "MPF Fund Platform", to compare across different schemes and funds. The higher the Fund Expense Ratio, the higher the percentage of the fund assets eaten up by expenses for the year. With the compounding effect, after several decades, a single percentage point difference in fees and charges may result in a big deviation in the dollar amount.

Should I choose an MPF scheme simply based on fees and charges?

Fees and charges have an impact on the net return of a fund, but it is just one of the factors to consider. When you make comparisons, you must compare funds of the same type. Just as you should not compare apples with oranges, you cannot compare funds of different types.

Should I select an MPF scheme based on its past performance?

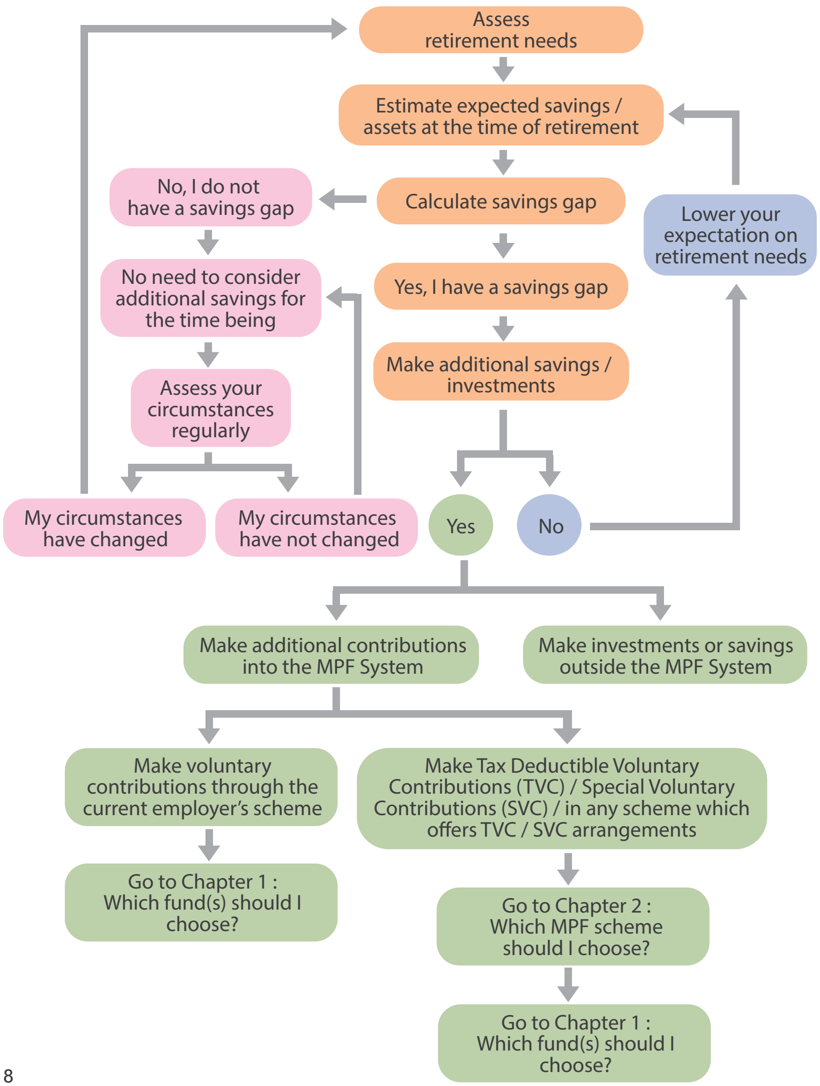
While some scheme members may try to choose an MPF scheme by looking at the scheme's fund performance, you are reminded that past performance is not necessarily a guide to the future performance of an MPF fund. Scheme members should not make fund choice decisions based solely on short- or even medium-term historical performance. The MPFA's "MPF Fund Platform" (mfp.mpfa.org.hk/eng) also provides fund performance information for reference.

MPFA website

Mobile app

How do I assess whether I need to make additional MPF contributions?

As different people have different retirement needs, the amount of savings needed for retirement varies. You can refer to the following "Decision Tree" to determine whether you should make additional MPF contributions, other investments or savings according to your retirement needs, MPF and other assets.



But how do I calculate my retirement needs?

The key elements for assessing retirement needs include :

- Number of years before retirement
- Monthly expenses during retirement
- Number of years of retirement (i.e. life expectancy)
- Average inflation rate
- Expected rate of return of your savings/investments during retirement

You can enter the relevant data in the Retirement Planning Calculator (www.mpfa.org.hk/en/calculator) available on the MPF investment education thematic website to calculate the MPF benefits and other savings you will have at the age of 65 and assess if the amount meets your anticipated retirement needs.

You can also choose to use the Retirement Planning Calculator inside the Retirement Planning Mobile App (available in Chinese only) launched by the MPFA to devise your retirement saving plan anytime and everywhere. Besides, the Mobile App includes a spending tracker, to help you manage your daily expenses and achieve your savings goals.

If I have decided to make additional contributions, is my only option to make voluntary contributions into my contribution account of my current employer's scheme?

No. You can make not only Voluntary Contributions (VC) under the contribution account of your current employer's scheme but also Tax Deductible Voluntary Contributions (TVC) or Special Voluntary Contributions (SVC) in an MPF scheme which offers TVC / SVC arrangements of your own choice. VC, TVC and SVC are additional contributions made under the MPF System, but they vary considerably in terms of how to open an account, contribution arrangements, tax incentives and other details:

	VC	TVC	SVC
How to Open an Account	• Your employer helps you open an account under the MPF scheme chosen by the company.	• You select your own MPF scheme and open an account directly. (Note: TVC are not provided by all MPF schemes. You may refer to MPFA's Trustee Service Comparative Platform (tscplatform.mpfa.org.hk/scp/eng) to check the MPF schemes which offer TVC arrangement.)	• You select your own MPF scheme and open an account directly. (Note: SVC are not provided by all MPF schemes. You may refer to MPFA's Trustee Service Comparative Platform to check the MPF schemes which offer SVC arrangement.)
Contribution Arrangements	• The amount you contribute is calculated on the basis of your income. • You have to make regular contributions of a fixed amount. • You make contributions to the MPF scheme via your employer.	• The amount you contribute does not need to be calculated on the basis of your income. • No fixed frequency or fixed amount of contributions. • You make contributions to the MPF scheme directly.	• The amount you contribute does not need to be calculated on the basis of your income. • No fixed frequency or fixed amount of contributions. • You make contributions to the MPF scheme directly.
Tax Incentives	• Nil	• Contributions are eligible for tax deduction, which is capped at $60,000 per year (The cap is an aggregate limit for both TVC and qualifying deferred annuity policies premiums). • Tax deduction is effective from the assessment year 2019/20.	• Nil
Withdrawal or Transfer of MPF Benefits	• Subject to the terms of your MPF scheme, you can withdraw or transfer your MPF benefits only after ceasing employment.	• You can only withdraw the account balance upon reaching 65 years of age, or on other statutory grounds. • Contributions exceeding the tax deduction cap cannot be withdrawn early either. • You can transfer all balance in a TVC account to your TVC account under a different scheme at any time.	• You can withdraw or transfer your MPF benefits anytime. • You can withdraw benefits several times a year, but the trustee may set a minimum amount for each withdrawal and a maximum withdrawal frequency (Note: arrangements may vary among MPF schemes).

If you have decided to make TVC or SVC, please refer to "Chapter 2: Which MPF scheme should I choose?".

How should I manage my MPF accrued benefits when changing employers?

You should manage the MPF benefits accumulated during your previous employment in one of the following ways:

1. **Transfer the MPF benefits to your contribution account opened under your new employment**
   - The advantage is ease of management. As you have only single MPF account, you only need to check that account to get a complete picture of your full range of your MPF investments.
2. **Transfer the MPF benefits to your existing personal account**
   - You could choose a trustee and scheme which offers funds that best suit you in terms of implicit risks and asset allocation.
   - Transferring the MPF accrued from your previous job to the same personal account whenever you change jobs makes it easier for you to monitor the fund performance and formulate your investment strategy.

If you do not have any personal accounts, or you are satisfied with the MPF scheme chosen by your former employer, you may consider retaining your MPF benefits in that account for continued investment.

If you do not manage your MPF benefits each time you change jobs, you will accumulate more and more personal accounts over time. Holding multiple accounts may make account management inconvenient. You may also find it difficult to work out an overall investment strategy if your assets are scattered across different accounts. You are encouraged to consider consolidating these accounts.

What should I take note of before consolidating the accounts?

The process of consolidation of personal accounts involves buying and selling funds. After the original trustee has redeemed the funds, and before the new trustee subscribes new funds in accordance with your instructions, there will generally be a time-lag of about one to two weeks, during which your MPF benefits will not be invested in any fund. During this period, fund prices may change due to market fluctuations, and there is a risk of a "sell low, buy high" scenario. For instance, if the fund price is on an upward trend, your existing fund units in the original scheme may be sold at a low price, while the new fund units in the new scheme are bought at a relatively higher price.

Also, if you have invested in Guaranteed Funds in your original scheme, your entitlement to the guarantee will be affected if the transfer causes you to fail to fulfil certain qualifying conditions, such as the minimum investment period.

Do I need to review my MPF fund choices regularly?

Your MPF investment can span several decades, during which you may go through different life stages, such as changing employers, purchasing property, getting married, raising a family and finally retiring. You should review your MPF investment regularly to ensure that it is in line with your investment objectives, preferred asset allocation and risk tolerance level. If there is any mismatch, you should then adjust your fund choices.

How often should I review my MPF fund choices?

If you enter into a new life stage, such as purchasing property, getting married or having children, you should consider reviewing your existing fund choices because your risk tolerance level may change with the changes in your personal circumstances. In general, it is good to review your fund choices once every six months or once a year, and consider making adjustments if necessary. For example, as you get closer to retirement, you might consider switching to a more conservative portfolio.

How can I review my MPF fund choices?

Every six months MPF trustees must make a Fund Fact Sheet available to scheme members, setting out information such as the investment objectives of the fund, the top 10 portfolio holdings, fund performance, Fund Risk Indicators, Risk Class, etc. You should read the information carefully and check if your funds are still in line with your original investment objectives. You may continue if they suit your needs; otherwise, you should consider adjusting your fund choices.

On top of that, once a year MPF trustees will provide you with an Annual Benefit Statement together with the latest Fund Fact Sheet. The Statement sets out the contributions made by you and your employer in the previous financial period, the amount of accrued benefits in your account as at the end of financial period of the scheme, and the gains or losses associated with your account over the relevant financial period as well as since inception. Apart from checking if your investment is profitable, you should also read the investment manager's commentary in the Fund Fact Sheet to consider if you need to adjust your fund choices.

What should I take note of when switching funds?

MPF is a long-term investment. You should not redeem a fund simply because of short-term price fluctuations. And never try to predict market movements, say, to set a low target price at which to switch to a fund, or set a high target price at which to redeem a fund. You should always assess the performance of a fund from a long-term perspective.

You also need to note the number of fund switches allowed for each scheme. In addition, many Guaranteed Funds have guarantee conditions, for example, a minimum investment period. If a scheme member fails to hold a Guaranteed Fund for the required minimum investment period, his entitlement to the guarantee will be affected. Therefore, you should read all the terms and conditions carefully before redeeming a Guaranteed Fund to avoid unnecessary loss.

How can I manage my MPF benefits when I reach the age of 65?

Once you reach the age of 65, you can choose any one of the following ways to manage your MPF benefits (including the MPF benefits generated from the mandatory contributions and the Tax Deductible Voluntary Contributions):

- Withdraw your MPF benefits by instalments
- Withdraw all your MPF benefits in a lump sum
- Retain all the MPF benefits in your account for continuous investment

Trustees are required to process free of charge[1] withdrawals for the first four instalments of a scheme member in a year. If you intend to withdraw your MPF benefits by instalments, you should contact your trustee to find out more about the withdrawal arrangements before making an application.

What factors should I consider before making a decision on how to manage my MPF benefits?

1. **Consider your personal needs**

   Think about the amount of assets you may have and the amount you will need when you retire. For instance, ask yourself whether you need money immediately to cover your daily expenses or for other purposes. MPF is only part of your retirement assets, so you should plan for your retirement well by considering your MPF together with any other retirement savings you may have.

2. **Learn more about the operation of MPF funds**

   MPF invests in funds. Fund prices change due to market fluctuations, and this can affect the value of your MPF assets. After you have filed a withdrawal application, your trustee will sell the fund units in your account at the current market price and pay you the relevant amount. However, the price obtained when the trustee sells your funds may be different from the price prevailing when you submit your withdrawal application.

3. **Find out the withdrawal rules of voluntary contributions**

   Withdrawal of MPF benefits derived from voluntary contributions is subject to the governing rules of the scheme concerned. If your account includes voluntary contributions, you should check the MPF Scheme Brochures of your scheme, or contact your trustee for the withdrawal rules of voluntary contributions.

4. **Be aware of the conditions associated with a Guaranteed Fund**

   If you have invested in a Guaranteed Fund, you should check whether withdrawal in a lump sum or by instalments will result in the failure to fulfil certain qualifying conditions, such as the minimum investment period. This would affect your entitlement to the guarantee. Please contact your trustee for details.

[1] Other than necessary transaction costs which are incurred, or reasonably likely to be incurred, by the trustee in selling or purchasing investments in order to give effect to the payment; and payable to a party other than that trustee.

5. **Review your investment portfolio**

   Remember that any MPF benefits you do not withdraw will be retained in the account for continuous investment. You should therefore regularly review your investment portfolio, and consider whether you need to make any adjustment. Some trustees also offer MPF retirement solutions aiming, like beating inflation or providing stable return or providing regular and stable income to meet the retirement needs of scheme members.

Regardless of whether you choose to withdraw your MPF benefits by instalments or retain them all in your account, any benefits you do not withdraw will continue to be invested in your chosen fund(s). The values of these assets may change due to market fluctuations, and you should be aware of the investment risks involved. In addition, your account will, as usual, be subject to management fees and other charges by the trustee based on its total asset value.